

Bid number FSDoE [E7/2005/2006]

Terms of Reference

**Transaction Advisor services to the
Free State Department of Education:**

**Procurement of Educational
Infrastructure (new schools,
refurbishment and additional
facilities) through a potential Public
Private Partnership**

11 July 2005

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1 INTRODUCTION

According to the 1996 « School Register of Needs Survey », 46% of the Free State schools needed repairs and 3 186 additional classes were required to provide education for all children under good conditions. Currently, only 1 848 additional classes are needed, which indicates the considerable effort carried out in terms of development of the infrastructure. The Medium Term Expenditure Framework (2003/06) plans to mobilize R388 million to build 783 additional classes, thus answering 42 % of the identified needs.

The Free State also suffers from a deficit of basic equipment: 48 % of the schools have no electricity, 41 % no telecommunication, 30 % no source of drinking water. Because of the lack of means and capacities, the infrastructure deteriorates quickly. The average quality standards today are lower than in 1996.

Lastly, the inequality inherited from the apartheid is found precisely in the education sector with well equipped schools in the previous white suburbs and poor infrastructure in the historically underprivileged areas. In the areas where the infrastructure is insufficient, a rotation between the schools has been set up to enable more children to attend school. These platooning schools are not optimal from a schooling point of view.

The Free State Department of Education (FSDoE) has identified the need to fast-track the elimination of backlogs in the construction of new schools and additional facilities. This will contribute towards the vision of improving the quality of life of all Free State citizens by providing quality life-long education and training.

The FSDoE wishes to explore the feasibility for this purpose. The Feasibility Study will be the first step towards pursuing the use of a Public Private Partnership (PPP) - *in terms of the Treasury Regulation 16, (issued June 2004) in terms of the Public Finance Management Act, 1999 (PFMA)* - to provide or procure the facilities and related services. The FSDoE wishes to further engage the services of the appointed Transaction Advisor as soon as the logistic with regard to the extension of the services can be finalised.

The purpose of these Terms of Reference is to invite proposals from a Transaction Advisor (TA) representing a team of suitably qualified and experienced financial, technical, legal, insurance and empowerment advisors to assist the FSDoE in the following:

- To undertake a revised and comprehensive Feasibility Study for the construction and operation of the Project in accordance with the National Treasury Public Private Partnership Manual;

- If required thereafter, to provide advisory services for the appropriate procurement of the Project and the contracting of the private service provider.

Where reference is made to 'the Transaction Advisor', it includes the entire Advisory team, or relevant members thereof, under the management of a single lead Advisor.

2 SCOPE OF WORK

The proposed scope of work for the project involves the following:

- The construction of 13 new schools across the province,
- The rehabilitation and upgrading of 20 existing schools
- The rehabilitation and upgrading of 3 existing Further Education and Training (FET) Colleges
- The development of a Specialised Youth Care Education Centre (Reform School) through the upgrading of an existing facility.

The scope of work for the Transaction Advisor is divided into two parts. Transaction Advisors are requested to submit a single proposal, in the format described herein.

2.1 Part 1: Feasibility study

The TA will be required to produce a comprehensive Feasibility Study for the FSDoE schools PPP project using Public Sector Comparator and PPP reference models. This must enable the FSDoE to determine:

- full project cycle costs
- affordability limits
- risks and their costs
- optimal value-for-money methods of delivery.

Section 4 below sets out the deliverables required of the TA for the Feasibility Study.

Being a pilot PPP project in the education sector, many elements will have to be defined, for which there might exist few references in the Free State, and maybe even in the country.

Moreover, the success of the project will rest largely on the appropriation and the control of the study process by the Free State authorities and by all the partners involved.

2.2 Part 2: PPP procurement

In the event that a PPP solution is decided upon, and if so required by the FSDoE, the TA is to provide the necessary support to the FSDoE to comply

with all elements of Treasury Regulation 16 issued in terms of the PFMA for the procurement and contracting of the private service provider.

The procurement deliverables are set out in Section 5.

3 BACKGROUND

Since 1994 the FSDoE has come a long way in its efforts to eradicate backlogs in educational infrastructure across the province. These backlogs were mostly located in rural and previously disadvantaged communities. The FSDoE is currently providing educational facilities to 704 409 learners in 2 038 schools. All learners in all communities within the province should have access to schools with the necessary minimum physical facilities. Communities should become involved in ensuring that physical facilities at schools are maintained.

The FSDoE has formally appointed a Project Officer and registered the project with the National Treasury in accordance with Treasury regulation 16 of the PFMA.

3.1 FSDoE Mission statement

To operate an efficient, effective, outcomes-based education system that works towards the overall development of Free State citizens in a dedicated, professional manner.

3.2 Needs

An analysis of the most critical infrastructure needs of the Free State indicated the need to build new schools in areas where platooning was taking on critical proportions. Platooning severely compromises the delivery of quality education. The next most critical need was the backlog in renovation as well as a shortage of basic facilities in existing schools and FET colleges.

The following are some key elements of a strategy to provide in the basic infrastructure needs:

- Focusing on the construction of new schools through the Project Implementing Agency (PWR&T), and eliminating platooning schools through a Public Private Partnership (PPP)
- Eliminating unsafe structures and “unacceptable” conditions
- Provisioning of additional facilities at existing schools in order to address overcrowding, and to promote full school effectiveness where some important facilities never existed at a school
- Giving more attention to rehabilitation of schools by targeting some of the worst minor and major renovations on the prioritised list of backlogs
- Provisioning of basic services: water, sanitation and electricity

This needs analysis informed the proposed scope of work as detailed below.

3.2.1 Platooning schools

Due to the fact that the conventional approach to infrastructure delivery would not be able eliminate the backlogs in schools in the province, the PPP approach will be investigated to eliminate all the platooning schools by the end of the 2007/08 financial year.

A backlog of **13 platooning schools** will remain by 2009/10 if this alternative approach is not followed. Approximately 10 000 learners are being taught under these appalling conditions. The department is currently experiencing a backlog of 21 new schools where platooning is prevalent. Only 8 of these can be constructed through traditional means by the 2009/10 financial year. This strategy, together with our current traditional building programme, will eliminate platooning by 2007/8. See attached Annexure A.

3.2.2 Rehabilitation and additional facilities

Most of the schools were not provided with facilities such as toilets, specialised facilities, administration blocks and halls. Where the number of learners enrolled in the schools became too high, overcrowding has increased. Provisioning of additional facilities through a potential PPP would be addressing overcrowding and previously neglected specialised facilities.

The PPP Project would therefore also include the upgrading and construction of additional facilities at **20 selected schools** to assist in the elimination of overcrowding and a lack of basic facilities like halls, laboratories, administration blocks and media centres. These will be completed by 2007/8. See Annexure A.

3.2.3 Further Education and Training Colleges

There are currently four such institutions in the province. Three of them need urgent intervention. These institutions have been restructured to be compliant with the requirements as stated in the Further Education and Training Act No. 98 of 1998. In order to deliver according to the skills development mandates as well as their strategic objectives, they need certain basic facilities and infrastructure. The FSDoE made an analysis of these backlogs. The PPP option seems to be the only option available to deal with these backlogs. **Three FET Colleges** are targeted to form part of this project. See Annexure A.

3.2.4 Reform School

The Department is faced with the challenge to develop a Specialised Youth Care Education Centre (also referred to as a Reform School). The current and projected resources will not allow the Department to provide such a facility. The proposed PPP project could address the development of such a centre. It

is envisaged that the facility would be developed through the upgrading of an existing structure – possibly the existing Jimmy Roos Special School.

3.3 Objectives

3.3.1. General objectives of the project

- To improve the level of education in the Free State and to increase its positive externalities
- To break with the inequalities in the distribution of the infrastructure between the historically advantaged and the historically disadvantaged areas
- To avoid schools overload in the historically underprivileged areas
- To suggest infrastructure of quality to the Free State schools
- To compensate for the insufficiencies of the public management system
- To make efficient the modes of financing of the Free State school infrastructure

3.3.2. Specific objectives

In February 2005, the FSDoE specified the scope of the project with the following specific objectives:

- To offer standard school infrastructure (water, electricity, communication, sanitation) to more than 33 000 pupils in an equitable way, all populations included
 - To improve access in primary education while getting rid of the system of “platooning” by creating 13 new schools and rehabilitating 20 others from grade 1 to 9 (See attached list – Annexure A),
 - To improve access in technical education by rehabilitating 3 Further Education Training colleges,
 - To improve access of education to the population of imprisoned teenagers by the rehabilitation and the equipment of a centre for detention-reintegration-formation.
- To manage efficiently the construction/rehabilitation phase of 37 schools
- To improve daily management of these 37 schools
- To engage the private sector to finance the infrastructure and thus to have more provincial budget available to finance the remaining needs (58 % of the needs would not be covered within the framework of the currently allocated budgets).

3.4 FSDoE Support

The FSDoE will assist the TA’s with the logistics with regard to the following:

- Arrangements regarding appointments and access to various educational institutions in the province.
- Arrangements regarding access to information from various directorates at Head Office and District Offices.
- Arrangements regarding various presentations and meetings with the Strategic Management of the FSDoE.

The TA will have to become familiar with all the background documentation and preparatory work conducted by the FSDoE. See 'Annexure B: Background and supporting documentation' for a list of relevant material.

3.5 Proposed timetable

The TA is required to comment on the proposed timetable and if possible suggest ways of improving it. A detailed task and project plan must form part of the TA submission.

Activity	Date
2005	
TA Tender Issued	11 July 2005
TA Bids Close	12 August 2005
Announce winning TA bidder	24 August 2005
Feasibility study begins	7 September 2005
2006	
Submit Feasibility study for TA I	6 January 2006
Submit RFQ for TA IIA	23 January 2006
Issue RFQ	20 February 2006
RFQ closes	20 March 2006
Issue RFP	6 April 2006
RFP bids close	26 June 2006
Submit evaluation report for TA IIB	13 July 2006
Notify preferred bidder	4 September 2006
Submit final PPP agreements for TA III	4 December 2006
2007	
Sign agreements	4 January 2007
Case study and close out report	9 January 2007

4 PART I: FEASIBILITY STUDY DELIVERABLES

The TA is required to produce, in close liaison with the FSDoE, a comprehensive Feasibility Study for the Project which clearly demonstrates affordability for the full life-cycle of the Project. The Study must propose the optimal value-for-money solution by which the FSDoE can achieve its desired outcomes.

The Feasibility Study is to be conducted in compliance with **National Treasury's PPP Manual**, available on www.treasury.gov.za or from the PPP Unit. The TA is also required to take into account the key elements developed in **Annexure C 'Key points to study'**.

4.1 Components of the Feasibility study

In line with *National Treasury's PPP Manual, Module 4: PPP Feasibility Study*, the Feasibility Study must include the following:

Introduction

- Covering letter from the accounting officer/authority requesting TA: I
- Executive summary
- Introduction
- Project background
- Approach and methodology to the Feasibility Study

Section 1 - Needs analysis that justifies the procurement of the project

- FSDoE's strategic objectives

Step 1 Summarize National Department of Education and FSDoE missions and vision statements, their strategic objectives and the policies that determine what the institution deliverables are.

Step 2

-List the main documents available (including HIV/AIDS strategy for the sector). See attached D - Table 1 as a sample matrix. The purpose is to confirm that documentation is available to support the technical assessment.

-Present FSDoE's plan of action. The main task here is to assess the soundness of the strategy towards improving the quality of primary education and expanding FET. It is appropriate to take a middle / long-term horizon (over a 5-10 year period), and ask fundamental questions: (a) what tradeoffs are envisaged to reach the stated goal in a manner that is fiscally realistic and that accommodates other claims on public resources; (b) what structural policies are being adopted to ensure that learning continues to improve.

-Synthesize the education statistics (primary education) national /provincial /and per district:

- Children population in age of attending school
- Rate of access to Grade 1
- Rate of survival up to Grade 6
- Transition rate from primary to secondary education
- Enrolment, completion, drop out (number of children and rates)
- Infrastructure: number of classrooms (good, ordinary, to be repaired)
- Rate of learners per classroom, learners per teacher
- Number of platooning schools per district
- Percentage of private schools (primary and post-primary education).

(See attached Annexure C – I A and Annexure D - Tables 2A and 2B)

Step 3 Discuss the following aspects:

- Contribution of the project to the implementation of FSDoE institutional responsibility and strategic objectives
- Present FSDoE's means of implementing the services

- Present the relative size of the project in term of anticipated budget or capital expenditure: number of schools to be a) created b) expanded c) repaired (classrooms and other facilities)
 - Present the potential cost savings for the institution
 - Demonstrate the capacity of the private sector to provide the services
 - Explain the public sector's expectations regarding the services
- (See Annexure C – I B and I C)

- FSDoE's budget

Discuss assumptions about the budgetary commitments required from the government. (See Annexure C – II E and II H)

1. Present consolidation of budget drawing funds from various budgets into a consolidated budget which will be ring-fenced for this project (internal budget of FSDoE).
2. List the line items currently in the FSDoE budget which will no longer be incurred as a result of the project.
3. Present and comment the expenditure framework for education: mid-term macro-economic projections (3-5 years); long term projections (10 years): growth of: GDP, government revenue, share of education in government expenditure; share of primary and FET education in government education budget.
4. Synthesize the 2004/05 budget: a) SA Government budget for education sector; b) Free State government: Current expenditure budget; Investment budget distribution: primary education, secondary education....
5. Analyse recurrent budget: respective share of: salaries for teaching and non teaching personnel, current expenses for school activities, repair and maintenance.
6. Detail the typical budget of one school: receipts: FSDoE, parents' contribution...; expenses: teaching supports, sport material and activities, cleaning, security, maintenance of classrooms, repair, etc.
7. Analyse the availability and management of textbooks: rate of books/subject/learner; financial organisation for purchase of the textbooks.
8. A cost and finance simulation model can be used to help answering the foregoing questions. Annexure D - Table 3 shows an example of selected simulation results. Although primary education and FET is the focus of the present assessment, some of the simulation results pertain to post-primary education in order to place the development of primary education and FET in a sector-wide framework.

- Institutional analysis / sharing out of roles

Department of Education

Terms of Reference for Transaction Advisor

Step 1 Provide information on the institution's project officer, project team, Transaction Advisor

-Information on the institution's project officer and project team (FSDoE): role in the project, PPP Project officer's relevant skills, brief CV, PPP Project team skills, brief CVs, FSDoE budget available for project management, contract with Transaction Advisor

-Information on Transaction Advisor: name, role, relevant skills, brief CV, budget available for transaction advice

-Assessment of operational aspects throughout the project: line of decision making within the institution between project officer, senior management, accounting offices; possible lack of capacity and plan to address it; plan for skill transfer from Transaction Advisor

(See Annexure C – I B and II N)

Step 2 Provide information on key stakeholders

-Describe the role and involvement of: FSDoE, FS Government, national DoE (if relevant), territorial authorities of areas where the project will be implemented (district council and city council), School Governing Body, Parents-Teachers Association, trade-union, Students association (local level)

-Describe the nature of each relationship and the project's impact on each stakeholder

-Describe in detail the changes introduced by the project: in teachers' working conditions, in learning conditions and achievements, in school management

(See Annexure C – II H, II I and II J)

Include a consultation plan

Detail how and when consultation will take place during the project preparation of the project cycle, and how the views and contributions of key stakeholders will be incorporated into the project.

Step 3 Consult with the National Treasury

It is important to ensure that the institution has the necessary means to implement the project and bring it to its conclusion.

- Output specifications

Step 1 Describe the service that the institution needs to deliver (including requirements such as renovation, refurbishment to existing schools...)

Step 2 Specify the outputs required to deliver that service (that must be based on national and FS standards) and specify the minimum standards of the outputs (minimum superficies of classrooms, quality of furniture...)

Step 3 Assess whether the output specifications can meet the institution's ongoing service needs

Step 4 Specify key indicators that will measure performance

Step 5 List the BEE and socio-economic targets that the institution wishes to achieve in the project, using PPP BEE balanced scorecard as reference (See Module 2 : Code of good practice for BEE in PPPs: Part IV).

Also see attached Annexure C – I D.

- Scope of the project

-Summarize the objectives in regards to the FSDoE's strategy

-Summarize the output specifications (See above)

-List the government assets which will be used for the project (such as land and equipment) See Annexure C - II F

-Briefly indicate the type of PPP project that may be appropriate, and its envisaged payment mechanism

Section 2 - Solution options analysis

- Options considered

Present the options considered by the FSDoE to expand capacity and improve quality education.

- a. To create new schools, FET college and secure centre
- b. To expand existing school and FET college and secure centre
- c. To rehabilitate and refurbish existing schools and FET college
- d. To rent existing building to be transformed in classrooms for primary school or FET colleges.

- Evaluation and assessment of each option

Creation, expansion, rehabilitation, and rent options should be discussed: to identify the advantages and disadvantages of each option; to examine the risks and the benefits; to identify which solution may be procured as a PPP.

1. Brief description
2. Financial impacts : estimated initial capital expenditure
3. Funding and affordability
4. Risk
5. BEE and other socio economic aspects
6. Service delivery arrangements
7. Transitional management issues

- Technical analysis

8. Site issues
9. Legislation and regulation
10. Human resources

11. Market capability and appetite (capability within the private sector; reliability of private contractors for service delivery; potential value for money, existence of BEE enterprises in education sector, existence of local suppliers for this service)

12. Qualitative factors

13. Early considerations of suitability for a PPP

- Mode of intervention of the AFD and its impact

The AFD (French Development Agency) could intervene either by granting a credit line to a bank to partially refinance the operation or by granting a loan directly to the private contractor. The “grant element” would either reduce the financial expenses weighing on the operation or finance a particular component of the project, with significant social impact.

Study the comparative advantage of the financing by an establishment like the AFD comprising a grant element. Analyze in detail and justify the mode of intervention of the AFD and the financial product to use.

- Summary of evaluation and assessment of all options considered
- Recommendation of a preferred option

Section 3 - Project due diligence

- Legal aspects

At this point, it is essential that a comprehensive legal due diligence of the preferred option be done to ensure that all foreseeable legal requirements are met for the development of the project.

-Use rights of the institution:

Obtain legal opinion about the extent to which the institutional function or use of state property can legally be performed by a private party in a possible PPP.

-Regulatory matters:

The project being a pilot, all the regulatory matters that may impact on the private party’s ability to deliver the services should be investigated thoroughly: tax and labour legislation, environmental and heritage legislation, foreign exchange legislation, legislation governing the use of certain financial instruments, competition legislation, sector regulations (such as building codes).

- Site enablement issues

The feasibility study should justify the location of each of the 37 schools involved in the project (referring to the needs, to equity issues...). For each site, establish the following:

- Land ownership
- Land availability and any title deed endorsements
- Are there any land claims? Any lease interests in the land?

See Annexure C – II F.

Appoint experts to undertake surveys of:

- Environmental and geo-technical matters
- Heritage matters
- Zoning rights and town planning requirements
- Municipal Integrated Development Plans

See Annexure C – I C.

- Socio-economic and BEE issues

Identify BEE conditions, black enterprise strength in the sector, and any factors that may constrain the achievement of the project's intended BEE outputs.

Section 4 - Value assessment

The FSDoE maintenance budget is a key element regarding the affordability analysis. Determine an appropriate financial level (for maintenance budget in FSDoE) with reference to which realistic analysis of the potential affordability of the transfer risk for maintenance to the privates sector can take place.

The following analysis should enable the institution to determine which procurement choice is suitable for the project. It is based on a comparison between delivering the service as conventional public sector procurement or as a PPP. For more details, see *Module 4: PPP Feasibility Study* of National treasury's PPP Manual.

- Construct the base Public Sector Comparator (PSC) model

A PSC model is a costing of a project with specified outputs with the public sector as the supplier.

Step 1 Provide a technical definition of project: Describe the norms and standards that will be applied in the project and the maintenance cycles that are expected. See Annexure C – II D.

Step 2 Calculate direct costs (costs allocated to a particular service, based on the most recent similar project or on a best estimate if there is no comparison)

-Capital costs: costs of design, land and development, raw materials, construction, equipment; project's labour, management and training costs, including financial, legal, procurement, technical and project management services; replacement of assets over time. See Annexure C – II A.

-Maintenance costs: costs over the full project cycle of maintaining the assets in the condition required to deliver the specified outputs (including costs of raw material, equipment and labour associated with maintenance).

-Operating costs: costs associated with the daily functioning of the service (including staff, raw materials and consumables, direct management and insurance). See Annexure C – II C.

-Bee costs: costs of preferential procurement (See 'The Preferential Procurement Policy Framework Act', 2000).

Step 3 Identify indirect costs (equalling a portion of the FSDoE's overhead costs, including senior management's time and effort, legal services...). This portion can be determined by an appropriate method of allocation (e.g.: number of project employees to total institutional employees for personnel costs).

Step 4 Identify any revenue that may be generated (e.g.: if the users pay for a part of the service)

Step 5 Discuss assumptions (about the inflation rate, the discount rate, depreciation, treatment of assets, available budget and the government's MTEF)

Step 6 Construct the base PSC model (as a discounted cash-flow model). Show the net present cost of the base PSC model.

- Construct the risk-adjusted PSC model

Step 1 Identify the risks (See Module 4, 'Annexure 4: Standardized PPP Risk Matrix')

Step 2 Identify the impacts of each risk

Step 3 Estimate the likelihood of the risks occurring (based on experience and on reliable information)

Step 4 Estimate the cost of each risk

Step 5 Identify strategies for mitigating the risks

Step 6 Allocate risk

Step 7 Construct the risk matrix

Step 8 Construct the risk-adjusted PSC model

Step 9 Preliminary analysis to test affordability

- Construct the PPP reference model

The PPP reference model is a costing of a project with specified outputs with the private party as a supplier.

Step 1 Confirm the type of PPP and justify the choice

Step 2 Describe the proposed PPP project structure and sources of funding, describe the relationships between all the partners (institution, lenders, shareholders, private party, construction and operation subcontractor)

Step 3 Develop the core components of the payment mechanism (See Module 5: PPP Procurement: 'Annexure 1: Payment mechanism')

Step 4 Set and cost BEE targets (See Module 2: Code of Good Practice for BEE in PPPs)

Step 5 Calculate and consolidate all costs (See categories of costs covered in the PSC model). The PPP reference model is expected to take into account the innovative design, construction and operational efficiencies that may be expected of the private sector.

Step 6 Construct the PPP reference model and explain all assumptions and indicators (such as debt service cover ratio, liquidity...)

- Construct the risk-adjusted PPP reference model

In the PPP reference model, risk is incorporated into the costing of the project and should be reflected as:

- specific line items in the model dealing with direct risk-related costs (e.g. insurance)
- subcontractor costs
- increased required return on equity
- increased cost of debt

Summarize the FSDoE's retained and transferable risks.

- Sensitivity analysis

In order to determine the resilience of the base PSC model and the base PPP reference model to changes in the assumptions, test the sensitivity of key variables (such as project term, inflation rate, discount rate, construction costs, BEE costs, service demand...)

- Demonstrate affordability

Step 1 Determine the institutional budget available for the project. See Annexure C - II H.

Step 2 Compare the risk-adjusted PPP reference model with the available institutional budget

If affordability cannot be demonstrated, the institution will re-examine the output specifications within the affordability constraint or abandon the project. See Annexure C - II B.

- Initial value-for-money test

Step 1 Check the models:

- Do the models reflect the requirements of the output specifications?
- Have all costs been included?
- Have all risks been identified and included in the risk matrix?
- Has a sensitivity analysis been conducted?

Step 2 Establish the initial indication of value for money: Give an initial indication of what value for money the project is likely to provide if it were procured through conventional public sector procurement or a PPP, by comparing the models on a net present value (NPV) basis (See *Module 4*, 'Annexure 2: The significance of the discount rate').

Step 3 Assess BEE value for money: Make a value-for-money assessment of which procurement is going to best achieve the BEE outcomes.

- Make the procurement choice

If the PPP reference model shows that the project is affordable as a PPP and that a PPP will result in a lower net present cost to the institution (greater value for money) than a public procurement, then the institution should procure a PPP.

- Verify information and sign off

Step 1 Verify the information used in the feasibility study. Should be included in an annexure:

- A statement from the FSDoE and the TA on the reasonableness of the information collected
- A statement from the TA about whether value for money could have been enhanced
- A description of how the assumptions used in constructing the PSC and PPP reference model are realistic and appropriate
- A record of the methodologies used for valuing various costs
- A statement on how an audit trail of all documentation has been established and maintained to date

Step 2 Draw up a check list for legal compliance

See Annexure C – II K.

Step 3 Sign off the feasibility study

All inputs into the feasibility study must be signed off as accurate and verifiable by each of the TA specialists

Section 5 – Economic valuation

As it is a pilot project, an economic valuation may be warranted.

- Introduction and evaluation approach

Whatever the micro-economic technique chosen to undertake the economic valuation might be, it should enable to:

- Give a clear economic rationale for the project
- Identify the economic consequences of all financial flows
- Detail the calculation or shadow prices/opportunity costs for all inputs and outputs, including :
 - o Foreign exchange
 - o Marginal cost of public funds
 - o Opportunity cost of public funds (discount rate)
 - o High, medium, low skill labour
 - o Tradable and non tradable inputs
 - o Tradable and non tradable outputs

- Assumptions

Determine assumptions to check the economic valuation of the project.

- Identify an appropriate 'no project' scenario and calculate the associated economic flows, treating them as opportunity costs to the project
- Identify the economic benefice to BEE and the opportunity costs to BEE of a 'no project' scenario

- Valuation Results

Draw the conclusions from the economic valuation.

Section 6 - Procurement plan

The procurement plan must contain at least the following:

- Project timetable for the key milestones
- Confirmation that sufficient funds in the institution's budget are available to take the project to TA:III and into contract implementation.
- List any potential challenges to the project and how these will be addressed
- The best procurement practice and procedures suited to the project type and structure

- Government processes to be used by the institution in its management of the procurement, especially regarding decision making
- The project stakeholders and the extent of their involvement in the PPP
- The project team with assigned functions
- Categories of information to be made available to bidders and how such information will be developed
- A list of required approvals from within and outside the institution
- A GANTT chart of the procurement process, including all approvals and work items necessary for obtaining these approvals (for procurement documentation as well as, for e.g., the land acquisitions and environmental studies to be procured by the institution)
- Contingency plans for dealing with deviations from the timetable and budgets
- The bid evaluation process and teams
- An appropriate quality assurance process for procurement documentation
- The means of establishing and maintaining an appropriate audit trail for the procurement
- Appropriate security and confidentiality systems, including confidentiality agreement, anticorruption mechanisms, and conflict of interest forms to be signed by all project team members.

Annexure (related to the Feasibility Study)

Annexure 1: Statements for information verification and sign off from each advisor to the project

Annexure 2: Letter of concurrence from the CFO of institution and/or provincial treasury

Annexure 3: PSC model

Annexure 4: PPP reference model

Annexure 5: Risk assessment and comprehensive risk matrix

Annexure 6: Document list (list of all documents related to the project, where they are kept, and who is responsible for ensuring that they are updated)

Annexure 7, 8, 9 etc: Attach as annexure all other documents that have informed the Feasibility Study and that are of decision-making relevance to the project.

4.2 Presentation of the Feasibility Study

The Feasibility Study, comprising all the above deliverables, must be compiled in a single report in Word format (with relevant annexure), and delivered as both electronic and hard copy documents.

All financial models must be in Excel format, and clearly set out all assumptions made, sensitivity analyses carried out, and model outputs. The

financial models must be sufficiently adaptable for use by others at later stages.

The Feasibility Study must be presented with a thorough executive summary and must be accompanied by a PowerPoint presentation that encapsulates all the key features of the study. The executive summary and PowerPoint presentation must be compiled in such a manner that they can be used by the FSDoE management for decision-making purposes.

4.3 Submission requirements for the Feasibility Study report and request for Treasury Approval: I

If the FSDoE decides to pursue a PPP solution for the project, the Feasibility Study must be of a standard that will be accepted by National Treasury for the purposes of the FSDoE obtaining Treasury Approval: I (TA:I) in terms of Treasury Regulation 16 to the PFMA. The TA must be fully familiar with the requirements of the PPP Unit as set out in *Module 4: PPP Feasibility Study of National Treasury's PPP Manual*.

5 PART II: PPP PROCUREMENT DELIVERABLES (IF APPLICABLE)

In the event that a PPP solution is decided by the FSDoE and the FSDoE decides to continue with the Transaction Advisor, the TA will be required to work with the FSDoE to manage the procurement process for securing a contract with a private service provider for the option selected, in accordance with the systems and standards set out for PPP's in Treasury Regulation 16 and using guidelines set by the PPP Unit.

This will entail the TA in the delivery of the following:

5.1 Treasury Approval IIA and administration of the bidding process

The TA must prepare a complete set of procurement documents, complying with public sector procurement law, policies and guidelines, and in accordance with the bidding systems of the FSDoE. The documentation must be consistent with the results of the Feasibility Study and enable the FSDoE to obtain Treasury Approval: IIA in terms of Treasury Regulation 16.

The TA must also provide to the FSDoE all the drafting, bidder communication and administrative support necessary for the entire procurement process to be conducted in accordance with applicable law and policy, **and to the highest standards of efficiency, quality and integrity.**

5.1.1 Pre-qualification

The TA must design, prepare and administer a pre-qualification process, issuing the Request for Pre-Qualification Documentation (RFQ) with the intention of:

Ensuring that the FSDoE's exact interest regarding the Project is communicated clearly to the prospective market participants;

Determining the extent and nature of interest in the private sector;

Request the prospective bidders to indicate their interest based on the information in the RFQ;

Pre-qualifying a competitive number of competent consortia in a manner that is equitable, open and transparent and the result of which is that each pre-qualified bidder is capable of providing the facilities and services required by the FSDoE.

The TA must prepare all the necessary RFQ documentation, including advertising material, assist the FSDoE to set up and administer the pre-qualification process by which the FSDoE can pre-qualify the parties. Assist the FSDoE to evaluate and pre-qualify bidders and provide the FSDoE with a clear and concise pre-qualification process and compliance report.

5.1.2 Request for Proposals (RFP)

The TA must prepare a RFP document in accordance with best industry practice and *National Treasury's PPP Manual*, consistent with the results of the Feasibility Study. The RFP must concisely set out:

- The output specifications as determined by the FSDoE
- The requirements for compliant bids
- A risk profile (as established in the Feasibility Study)
- The payment mechanism
- The selected BEE targets
- The bid process
- The evaluation criteria
- The bidder communication systems

5.1.3 A Draft PPP Agreement

The TA must prepare a draft PPP Agreement, based on National Treasury's *Standardised PPP Provisions* and the risk matrix developed in the Feasibility Study. Close liaison with the FSDoE management and the PPP Unit are required during drafting. The PPP Agreement must include mechanisms in terms of which the FSDoE is able to measure performance of the service provider and operate a penalty system.

5.1.4 Treasury Approval IIA

The TA is required to compile all the documentation necessary for the FSDoE to obtain Treasury Approval IIA in terms of Treasury Regulation 16 to the PFMA, to enable the procurement process to commence.

5.1.5 Payment mechanism

The TA must develop a rigorous payment mechanism that captures the elements of risk transfer and expected performance of the service provider. The payment mechanism must be simple but fair and based on the expected service delivery level of standards and a penalty point deduction system - all

based on the output specifications and risk matrix established in the Feasibility Study.

5.1.6 Bid evaluation criteria, bid process design, variant bids and BEE requirements

The TA is to provide all necessary administrative support and set up a bid evaluation system and criteria, design a suitable bid process and to the FSDoE for the efficient and professional management of the bidding process,. This includes the management of a data room with comprehensive project and project site information, conducting structured engagement between the FSDoE and bidders, and assisting the FSDoE with proper bidder communication and receipt of bids.

The TA must research and analyse the market for optimal BEE participation, of which the results, if important to the bidding process, must be made available to the bidders. The procurement documentation must incorporate all the BEE requirements for the Project. If appropriate, a system that allows for variant bids may be designed.

5.2 Evaluation of bids, demonstrating value-for-money, and Treasury Approval IIB

5.2.1 Evaluation of bids

The authorised staff of the FSDoE, assisted by the Transaction Advisor, must evaluate bids following guidance given in *Module 5: PPP Procurement of National Treasury's PPP Manual*.

A best and final offer (BAFO) process may be required. When costing this phase of work the TA must allow for the possibility of administering BAFO processes. If there is no BAFO process, the Transaction Advisor's remuneration will be adjusted accordingly.

5.2.2 The value-for-money report and Treasury Approval: IIB

Value-for-money must be demonstrated by comparing the Net Present Value (NPV) of the bids received to the NPV of the revised Risk-Adjusted PSC for the Project (the PSC with a suitable adjustment for similar risks assumed as the private sector bid/s).

The results of the bidding and evaluation of bids must be presented in a single 'Value-for-Money Report' (with relevant annexure) that demonstrates clearly how value-for-money and risk transfer will be achieved with the preferred bidder within the affordability limits. The reports must clearly motivate and indicate the preferred and second-ranked bidders and confirm compliance with the applicable legal requirements.

The value-for-money report must be in a suitable format and of a suitable standard for the FSDoE to get Treasury Approval: IIB in terms of Treasury

Regulation 16 to the PFMA. The guidance given in *Module 5: PPP Procurement of National Treasury's PPP Manual* should be followed.

5.3 Contract Negotiations, Contract Management Plans and Treasury Approval III

The TA must assist the FSDoE in final negotiations with the preferred bidder. This will entail the preparation of suitable negotiation teams, strategies encompassing suitable categorisation of issues, time-lines for completion, negotiations tactics and processes for reaching agreement. The TA must ensure incorporation of all agreements reached into financial, commercial and legal documentation, and must assist with drafting of all attendant correspondence. The TA must ensure that the all Project Documents are drafted back-to-back with the PPP Agreement and that the risk profile as agreed in the PPP Agreement is respected and followed through in the supporting legal documentation.

The TA must, in close liaison with the FSDoE, draft a comprehensive Contract Management Plan for the FSDoE in accordance with the provisions of the PPP Agreement and with due adherence to guidelines issued by the PPP Unit in this regard.

The final terms of all the Project Documents, each as negotiated with the preferred bidder, subcontractors, equity partners and its funders, must be submitted, along with the Contract Management Plan for the Project, to National Treasury for Treasury Approval III in terms of Treasury Regulation 16.7.1. The TA is responsible for compiling the necessary submissions for the FSDoE to obtain this approval.

5.4 PPP agreement signature, close-out report and case study, and financial closure

The TA must assist the FSDoE with all matters pertaining to the signing of the final PPP Agreement.

The TA must also compile a comprehensive close-out report and case study. These must follow the formats prescribed in *Module 5: PPP Procurement of National Treasury's PPP Manual*, and must incorporate any additional factors that may be required by the FSDoE.

The close-out report will be a confidential document of the FSDoE, and will also be lodged with National Treasury. The case study will become a public document, made available on various government websites.

Financial closure signifies that all the procurement deliverables have been successfully completed, and that the TA's work is finished, if applicable.

6 TRANSACTION ADVISOR SKILL, EXPERIENCE, REMUNERATION AND MANAGEMENT BY THE FSDoE

6.1 Skills and experience required in Transaction Advisor

The TA will comprise a team, managed by a single Lead Advisor, the members of which have both the skill and experience necessary to undertake the range of tasks set out in the Terms of Reference. Each individual on the team **must be personally available** to do the work as and when required to do so. The availability of individual team members should be clearly articulated.

It is strongly advised that the TA team is managed by an experienced project manager. The project manager should coordinate the activities of the various team members and documents ultimately submitted and signed off by the Lead Advisor.

The Lead Advisor will be held accountable, in terms of the Contract, for ensuring project deliverables, and the professional conduct and integrity of the team.

The **skills and experience** required in the TA team are as follows:

- Financial analysis, with relevant PPP and project finance experience or other demonstrable relevant experience

 - PPP procurement and structuring or other demonstrable experience

- Legal, with relevant South African experience in the drafting and negotiating of PPP agreements and relevant limited recourse Project Finance experience

- Education Specialist – sound knowledge of the Education System and the relevant legislation with a strong focus on School Governance and Administration / expertise in educational planning

 - Due to the inclusion of the FET colleges, the inclusion of expertise related to the Skills Development Environment – SETA's

 - Serviced working environment planning management

 - Serviced working environment facilities management

 - Relevant expertise in building design, construction, engineering, quantity surveying, and property development and planning applicable to the proposed facilities

 - Environmental and heritage expertise

 - Black Economic Empowerment expertise with relevant PPP experience

 - Experience in negotiations with local government; expertise in mobilising local community involvement and participation.(School Governing Bodies, local contractors)

 - Contract management

 - Project management

 - Excellent understanding of the *National Treasury's PPP Manual*

Considering the fact that the project is a pilot, resources should be planned for a broad dialogue of all the actors involved. From the perspective of sharing information and competence, it could also be highly relevant to include international expertise on the project.

6.2 Remuneration schedule

The total sum budgeted by the FSDoE for remuneration of professional services under these terms of reference is between R12 000 000 (twelve million) and R15 000 000 (fifteen million) including VAT. Bidders are advised to bid within these figures, and to allocate resources according to the remuneration schedule below. **The financial proposal of the TA must be all inclusive.** The bidders are also required to provide a detailed list of the cost for each expert to be involved in the Feasibility Study (including the duration of working days and the daily cost for each expert).

Remuneration of the TA will be payable in South African Rand, on a fixed price for each of 2.1 and 2.2 above (corresponding to Part 1: PPP Feasibility Study and Part 2: Procurement of the project cycle). The procurement portion of the work may or may not transpire at the end of the Feasibility Study, and should be cost accordingly.

Should the project not proceed to Step 2 i.e. procurement, the TA is only entitled to the fees indicated for the feasibility study as per the table below.

6.2.1 Remuneration schedule

The following remuneration schedule is set for each part of the contract. Bidders should adhere to these in their proposals, within the total budget given.

Part 1: Feasibility Study

Deliverable (Refer to sections as appears under 4.1)	Percentage of remuneration paid at each stage of completion
Signing of Transaction Advisor Contract as a mobilisation allowance	10
Completion of sections 1 – 2 (Needs analysis and Solution Options analysis)	20
Completion of section 3 (Project Due Diligence)	20
Completion of section 4 (Value Assessment)	20
Completion of sections 5	15
Completion of Feasibility Study report (4.2) to the satisfaction of the FSDoE, and a decision by National Treasury about TA: I	15
TOTAL	100

Part 2: PPP Procurement and Contracting

Deliverable	Percentage of remuneration paid at each stage of

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	completion
Mobilisation allowance on instruction to continue after Treasury Approval I	10
A decision by National Treasury in respect of TA:IIA	10
A decision by National Treasury in respect of TA:IIB	25*
A decision by National Treasury in respect of TA:III	30
Success fee	25
TOTAL	100
<i>BAFO allowance (if applicable)</i>	15% of *

Deliverables completed per the remuneration schedule will be approved by the project officer, after which invoices may be submitted for payment as per the remuneration schedule. The FSDoE will pay within 30 days of receiving the approved invoice.

6.3 FSDoE management of Transaction Advisor

The TA will be appointed by the Superintendent - General of the Free State Department of Education. The TA will report directly to the Superintendent - Director General through the Project Officer who will be responsible for the management of the Transaction Advisor's work. The Project Officer is Mr Kevin Abrahams, who can be contacted on (015) 404 9287 or kabrahams@edu.fs.gov.za

The Project Officer will establish a Project management Team (PMT) to guide the project. The TA will report regularly to the Project management Team. The TA will furnish the PMT, in a format to be agreed upon by the PMT, with all the documentation required during the course of the project.

The PMT must benefit from capacity building by the TA for the efficient completion of the various delivery items and the successful implementation of the Project after financial closure. The project team will meet at least monthly and the TA will report progress at these meetings, as instructed by the Project Officer.

The PMT will consist of the following:

- Director : PPP (Project Officer)
- Chief Director: Education Support and Administration
- Director: Physical Resource Planning
- Representative: Department of Public Works, Roads and Transport.
- Representative: Provincial Treasury
- Representative: National Treasury
- Representative: Department of Local Government and Housing
- Representative: FET colleges
- Representative: Inclusive Education (Reform School)
- TA

7 RULES OF BIDDING, BID SUBMISSION REQUIREMENTS AND BID EVALUATION

7.1 Rules of bidding

7.1.1 The TA must be a single legal entity with all other necessary expertise secured via subcontract, or under a joint venture arrangement.

- The FSDoE will enter into a single contract with a single firm for the delivery of the work set out in these terms of reference.
- Bidders must note that the FSDoE will not enter into separate agreements with individual companies forming a TA consortium; the lead advisor is thus cautioned to ensure that adequate liability cover is obtained to allow for this arrangement.
- Any proposal submitted by a consortium or joint venture of two or more firms must be accompanied by the consortium formation document or joint venture agreement, as applicable, authenticated by a Notary Public, which sets forth the precise responsibilities of each of the parties thereto.
- Consortia and joint venture members should be advised that each member would be held jointly and severally liable for the performance of the consortium or joint venture. The FSDoE will not deviate, under any circumstances, from this principle of joint and several liability of the Transaction Advisor consortium members

7.1.2 Valid Tax clearance certificates dated within six months of the closing date of this bid must be submitted by all South African firms submitting bids as part of a consortium or joint venture.

7.1.3 Certified copies of South African Identity Documents (ID) for all professionals in the Transaction Advisor consortium.

7.1.4 Foreign firms providing proposals must become familiar with local conditions and laws, and take them into account in preparing their proposals.

7.1.5 Bids must be submitted in South African Rand, on a fixed price basis.

7.1.6 The costs of preparing bids and of negotiating the contract will not be reimbursed.

7.1.7 The FSDoE is not bound to accept any of the bids submitted, and reserves the right to call for Best and Final Offers from short-listed bidders before final selection.

7.1.8 The FSDoE reserves the right to call interviews with short-listed bidders before final selection.

- 7.1.9 The FSDoE reserves the right to negotiate price with the preferred bidder.
- 7.1.10 The FSDoE reserves the right to return late bid submissions unopened. Late submissions will be accepted only in exceptional circumstances and only within 12 hours of the deadline for the submission of bids and at the discretion of the project officer.
- 7.1.11 Firms may not contact the FSDoE or National Treasury on any matter pertaining to their bid from the time when bids are submitted to the time the TA contract is awarded. Any effort by a bidder to influence bid evaluation, bid comparisons or bid award decisions in any manner, may result in rejection of the bid concerned.
- 7.1.12 The bid will be awarded on August 24 2005. The TA will commence work on September 7 2005. Failure to agree on the terms of the contract by the TA and the FSDoE and the commencement of work by September 7 2005 will lead to the FSDoE negotiating with the second placed bidder.
- 7.1.13 The FSDoE reserves the right to terminate this appointment or temporarily defer the work, or any part thereof, at any stage of completion should the FSDoE decide not to proceed with the project. Should the contract between the FSDoE and the TA be terminated by either party due to reasons not attributable to the Transaction Advisor, the TA will be remunerated for the appropriate portion of work completed up to a maximum amount of not more than the total fee bid by the TA for the appropriate phase of the project during which the appointment was terminated.
- 7.1.14 The persons proposed for professional work on the project **shall remain on the Project**, and have the necessary capacity and time to deliver the required services in a professional and efficient manner to the FSDoE, unless permission is granted by the FSDoE to change the proposal. Such permission will only be granted in exceptional circumstances. The proposal must clearly indicate which personnel are full time (dedicated) and which are for reference only.
- 7.1.15 No material or information derived from the provision of the services under the contract may be used for any purposes other than those of the FSDoE or National Treasury, except where authorised in writing to do so.
- 7.1.16 Copyright of all documents and electronic aids, software programmes prepared or developed in terms of this appointment shall vest in the government of the Republic of South Africa.

7.1.17 The TA and its affiliates are disqualified from providing goods, works and services to any private party to the PPP agreement and/or parties to the sub-contracts, or to any eventual project that may result, directly or indirectly from these services.

7.1.18 Any clarification on these Terms of Reference can be addressed to Mr Kevin Abrahams either by e-mail kabrahams@edu.fs.gov.za, telephone (015) 404 9287, or facsimile (015) 404 9249.

7.2 Bid submission requirements

Transaction Advisors are required to submit one original (bound) and one copy (unbound) of their proposals. The proposal must be submitted in **TWO envelopes** in the following format:

7.2.1 Envelope 1: Technical and BEE proposals

Envelope 1 marked with the name of the TA and titled: **TECHNICAL & BEE PROPOSAL**: Transaction Advisor services to FSDoE for Feasibility Study and possible PPP procurement of educational infrastructure. Indicate the bid number on the envelope.

This envelope must contain at least the following:

7.2.1.1 Covering letter signed by the lead Transaction Advisor, *inter alia*:

- Accepting the rules of bidding, evaluation of bids, and bid evaluation criteria set out in the Terms of Reference;
- Attaching a valid Tax Clearance Certificate from South African Revenue Services in respect of the lead TA and all South African firms to be sub-contracted to it for this assignment;
- Providing full contact details for the lead Transaction Advisor.

7.2.1.2 Information on and motivation for the lead Transaction Advisor, attaching his/her curriculum vitae, and setting out his/her personal, and his/her firm's:

- Suitability for this assignment;
- Relevant skills and experience. For each relevant experience cited, outline the precise role the lead Advisor played, the role of the firm, contract duration, contract outcomes, and contract value;
- Availability to perform the work. This must be substantiated by listing the lead Advisor's other known professional commitments for the forthcoming two years.

7.2.1.3 Names, status of all proposed team members, and their firms, setting out:

- The professional role that each person will play in the assignment. This must be cross-referenced to each deliverable set out in the Terms of Reference;

- The suitability of each person for the proposed roles in terms of their relevant skills and experience;
- Their availability to perform the work;
- One-page résumés of each person highlighting responsibilities held for experience relevant to this assignment in the last 5 years;
- Summary of the percentage of Black South African professionals on the team, clearly showing the roles they will play in the Advisory team.
- Summary of the percentage of female professionals on the team, clearly showing the roles they will play in the Advisory team.

7.2.1.4 The BEE proposal, setting out:

- The number and percentage of black professionals playing leading roles in the TA consortium. “Black person” is defined in the Code of Good Practice for Black Economic Empowerment in PPPs as: “African, Coloured and Indian South African citizens”.
- The percentage of black equity in the companies making up the consortium, with a weighted average calculated on the percentage of work to be performed by each company, presented in the following format: (The table has been completed with an example.)

Name of consortium member	Percentage of total reimbursement accruing to that consortium member (A)	Percentage of black equity in that consortium member (B)	Calculated % black equity in consortium (A) x (B)
X	80%	15%	12%
Y	10%	50%	5%
Z	10%	100%	10%
Total	100%		27%

Column B must show the percentage of ownership by individuals who are actively involved in the management of the specific company. To verify this, the proposal must be accompanied by shareholder’s agreement or relevant supporting documents:

- a credible plan for structuring effective BEE for the PPP, with the necessary skill and experience in the team, substantiated by references.
- a credible plan for skills transfer within the consortium to directly benefit black professionals inexperienced in PPPs.

7.2.1.5 Project comprehension and project management plan, setting out:

- The Transaction Advisor’s understanding of the Terms of Reference, and any proposals for amendments to the Terms of Reference that would **enhance** desired outcomes;
- How the TA proposes to manage the set of deliverables outlined in the Terms of Reference;

- A proposed outline Work Plan with time-table for delivery (using the draft timetable in 3.5 as a guide);
- How the Advisory team members will be supervised;
- How reporting to the Project Officer will take place;
- Any innovative ideas for how the whole assignment can best achieve its objectives.

The Technical & BEE Envelope must not include any financial proposal.

7.2.2 Envelope 2: Price proposal

Envelope 2 marked with the name of the Transaction Advisor and titled: **FINANCIAL PROPOSAL:** Transaction Advisor services to FSDoE for Feasibility Study and possible PPP procurement of educational infrastructure. Indicate the bid number on the envelope.

This envelope must contain:

7.2.2.1 Proposed remuneration for professional fees: A remuneration proposal, in the remuneration format outlined at above, giving professional cost per deliverable item and total for each Part as indicated.

7.2.2.2 Cash flow earmarked for each member of the consortium, indicating how black people will benefit. The fee-sharing structure must reflect the actual work, risk and responsibility assumed by each member.

7.2.2.3 A marked up version of the *Draft Transaction Advisor Contract*, attached as **Annexure A**, including the proposed remuneration, which must be submitted as part of the Financial Proposal of the bid. See Annexure E as a template.

7.3 Bid evaluation criteria

Evaluation will be based on a point system. The following is the weighting awarded for each element, and the threshold score for each:

Evaluation element	Weighting	Threshold score
Technical Proposal	70	65%
Empowerment Proposal	10	60%
Financial Proposal	20	N/A
TOTAL	100 points	

The bid which achieves the highest total points out of 100 will be recommended by the Evaluation Panel as the preferred Transaction Advisor.

In compliance with the PPPFA, the BEE component of a TA bid will constitute 10% of the bid evaluation weighting, with the price and technical elements

constituting the remaining 90%. A minimum threshold of 60% of the total BEE points will be set and a minimum threshold of 65% of the total technical points will be set. The technical, BEE and price elements are each scored out of 100 points, and the scores achieved (if they meet the thresholds), calculated into the bidder's overall score using the following formula:

$$a \times (\text{technical score}/100) + b \times (\text{BEE score}/100) + c \times (\text{price score}/100) = d$$

Where:

a is the weighting for technical (70%)

b is the weighting for BEE (10%)

c is the weighting for price (20%), and

d is the total score achieved by the bidder.

The calculation of price points will be done using the prescribed price formula set in the regulations to the PPPFA.

The technical and BEE proposal will be evaluated according to the criteria and thresholds set in the technical and BEE scorecards, as follows: The Technical Threshold Score will be 65% of the total points available. Only those bids that achieve 65% or more will have their Financial Proposals considered. The Empowerment proposal is considered with a minimum threshold for BEE being 60% of the points available.

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Technical Proposal			
	Criteria	Scoring (for whole or each sub- element where applicable)	Maximum points
1	Financial analysis and project finance	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	
	- <i>Skills</i>		8
	- <i>Relevant experience</i>		8
			16
2	Legal	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	
	- <i>Skills</i>		8
	- <i>Relevant experience</i>		8
			16
3	Expertise in educational planning and infrastructure	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	
	- <i>Skills</i>		8
	- <i>Relevant experience</i>		8
			16
4	PPP procurement and structuring – relevant experience and track record or other demonstrable experience.	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	8
5	Negotiations – relevant experience and track record	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	8
6	Design, construction, engineering, quantity surveying, property planning – skills and relevant experience	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	8
7	Quality of project comprehension demonstrated in proposals for procurement of educational infrastructure	<i>Excellent =8</i> <i>Acceptable =4</i> <i>Poor =0</i>	8
8	Quality of proposed work plan, project management approach and time-table for the Project	<i>Excellent =10</i> <i>Acceptable =5</i> <i>Poor =0</i>	10
9	Lead TA's availability for work	<i>Excellent =5</i> <i>Acceptable =2</i> <i>Poor =0</i>	10
TOTAL Technical points			100
Minimum threshold for technical			65

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BEE scorecard					
BEE proposal		Max. score	Scoring	Weighting	Points Total
1	The percentage of Black People playing leading professional roles in the TA consortium	5	25% - 35% = 3 >35%= 5	6	30
2	The percentage of black equity in the TA consortium	5	25% - 35% = 3 >35%= 5	6	30
3	A credible plan for structuring effective BEE for the PPP, with necessary skill and experience in the team	5	Poor plan, poor skill & experience = 1 or 2 Incomplete plan, limited skill & experience = 2 or 3 Credible plan, skill & experience = 4 or 5	4	20
4	A credible plan for skills transfer within the consortium to directly benefit Black professionals inexperienced in PPPs	5	Poor plan = 1 or 2 Incomplete plan = 2 or 3 Credible plan = 4 or 5	4	20
Total BEE points					100
Minimum threshold for BEE					60

Envelope 2: Financial Proposal

The calculation of price points will be done using the prescribed price formula set in the regulations to the PPPFA.

7.4 Bid evaluation

A bid evaluation panel will be established by the FSDoE comprising representatives of the FSDoE, of the Provincial and National Treasury. The panel will evaluate all TA bids received by the deadline. Bids will be evaluated according to the criteria indicated herein. The panel will make a recommendation to the FSDoE for appointment of the preferred Transaction Advisor.

The bid evaluation panel reserves the right to call for presentations and/or Best and Final Offers from prospective Transaction Advisors if required.

The decision of the FSDoE will be final.

The price proposal envelopes of each bid received will be locked away until the Technical Envelopes have been evaluated by the Evaluation Panel. The price proposal of only those bids whose technical & BEE proposals meet or better the technical and BEE threshold score set out in the bid evaluation criteria will be considered. Those bids that do not meet the technical & BEE threshold scores will have their Financial Envelopes returned unopened and will not be further considered for selection.

Any bid which fails to submit any element of the bid submission requirements set out above may, at the discretion of the bid evaluation panel, be rejected as unsuitable for evaluation and will therefore not be further considered.

7.5 Compulsory briefing session

The FSDoE will hold a briefing session on the terms of reference. All potential Transaction Advisors are required to attend and to register their interest in submitting bids. The list of attendees will be circulated to all present to encourage the formation of appropriate consortia. No party registering interest is, however, bound to submit a bid.

Date: July 19 2005

Time: 10 AM

Venue: President Hotel, 1 Union Avenue, Naval Hill, Bloemfontein

Please confirm attendance by email to: kabrahams@edu.fs.gov.za.

7.6 Address and deadline for submission of bids

Proposals by Transaction Advisors must be submitted in a single sealed envelope, containing the two separately sealed envelopes required, marked: Transaction Advisor services to FSDoE for Feasibility Study and possible PPP procurement of educational infrastructure and hand delivered to:

The bid box
Attention: Kevin Abrahams
Director, PPP Unit
Free State Department of Education
Second Floor
NRE House
Zastron Street
Bloemfontein

By no later than 11h00 on August 12 2005.

The FSDoE will record all bids received by the deadline.

ANNEXURE A: NEW SCHOOLS (PLATOONING SCHOOLS -TO BE ADDRESSED THROUGH PPP)

NR	Dist	EMIS	TYPE	NAME OF SCHOOL	TOWNSHIP	TOWN	No Learners	Classrooms	Platooning since
1	Thabo Mofutsanyana	41705212	P	Kopanang / Hlanganani	Warden	Warden	691	20	Jan-94
2	Motheo	43907326	P	Refentse	Bultfontein 4	Thabanchu	649	18/24	Mar-98
3	Thabo Mofutsanyana	41705208	P	Kgethatsebo	Tsiame	Harrismith	531	24	Av-98
4	Northern Free State	A40003	S	Rebatla Thuto	Kwakwatsi	Koppies	715	24	Jan-95
5	Northern Free State	43611181	S	Nomsa	Refengkgotso	Deneysville	767	20	Feb-93
6	Lejweleputswa	42908318	P	S.A Mokgothu	Nyakallong	Allenridge	739	32	Jan-96
7	Northern Free State	44306340	P	Kgabareng	Ramulutsi	Viljoenskroon	1507	26	Jan-97
8	Thabo Mofutsanyana	41407331	P	Mehopung	Megheleng	Ficksburg	979	28	Jul-97
9	Northern Free State	42710366	I	Ntjhafaditswe	Matlwangtlwang	Steynsrus	64	18	Jan-96
10	Thabo Mofutsanyana	45678913	S	Mohlodi Thito	Marquard	Marquard	855	30	Jan-06
11	Lejweleputswa	44412118	P	Phahamisanang	Stillepark	Virginia	490	24	Jan-97
12	Northern Free State	41610364	P	Mohlakeng	Qalabotjha	Villiers	718	20	Jan-98
13	Northern Free State	41811178	S	Metsimatle	Metsimaholo	Oranjeville	435	20	Jan-94
					TOTAL		9140	307	

P-Primary / S-Secondary / I- Intermediary

FET Colleges to be improved through PPP

NR	Dist	EMIS	TYPE	NAME OF SCHOOL	TOWNSHIP	TOWN
1	Thabo Mofutsanyana	40000100	FET	Moluti	Phuthaditjaba	Phuthaditjaba
2	Motheo	40000200	FET	Motheo	Bloemfontein	Bloemfontein
3	Northern Free State	40000300	FET	Flavius Mareka	Kroonstad	Kroonstad

FET - Further Education and Training College (Previously called Technical Colleges)

Specialised Youth Secure Care Centre (Reform School)

NR	Dist	EMIS	TYPE	NAME OF SCHOOL	TOWNSHIP	TOWN
1	Motheo	41002118	LSEN	Jimmy Roos Special School	Dewetsdorp	Dewetsdorp

LSEN- Learners with Special Educational Needs

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PPP Scope of work : Proposed additional facilities and major renovations at 20 (selected) existing schools

No	EMIS	Name of School	Town	District	Number of Learners	Scope of Work
1	44712125	Lemotso Primary	Welkom	Lejweleputswa	740	Rehabilitation; Additional classrooms; Toilets; Administration block
2	45008310	Ipopeng Secondary	Winburg	Lejweleputswa	612	Rehabilitation; Toilets; Administration block
3	45008189	Makeleketla Prim	Winburg	Lejweleputswa	804	Rehabilitation; Additional classrooms; Administration block
4	44908152	Ithabeleng Sec.	Wesselsbron	Lejweleputswa	1190	Rehabilitation; Additional classrooms
5	44008314	Reseamohetse	Theunissen	Lejweleputswa	928	Rehabilitation; laboratories (for conversion due to re-organisation of schools in town)
6	40101281	Bethlehem Comb	Bethlehem	Thabo Mafutsanyane	792	Rehabilitation; Additional classrooms; Laboratories
7	45109001	Mampoi Sec	Mokodumela	Thabo Mafutsanyane	939	Rehabilitation; Additional classrooms
8	41705207	Tsebong-Olwazini Prim	Harrismith	Thabo Mafutsanyane	1068	Rehabilitation; Additional classrooms; Administration block
9	42710128	Ikaheng Zakheni Sec	Petrus Steyn	Thabo Mafutsanyane	875	Rehabilitation; Additional classrooms
10	40303159	Relebeletse Comb.	Bloemfontein	Motheo	1533	Rehabilitation; Additional classrooms; Toilets
11	40303259	Rekgonne Prim.	Bloemfontein	Motheo	1276	Rehabilitation; Additional classrooms
12	40303183	Gonyane Prim.	Bloemfontein	Motheo	744	Rehabilitation; Administration block
13	44802109	Motsekuwa Prim.	Vanstadensrus	Motheo	248	Rehabilitation; Administration block
14	42304131	Lerethabetse Prim.	Koffiefontein	Xhariep	600	Rehabilitation and upgrading
15	41304247	Luckhoff Combined	Luckhoff	Xhariep	603	Rehabilitation; Additional classrooms; Toilets; Administration block
16	45203100	Lere La Thuto Sec	Zastron	Xhariep	1128	Rehabilitation; Additional classrooms; Toilets; Administration block
17	42506309	Mphatlalatsane Special Schjool	Viljoenskroon	Northern Free State	172	Rehabilitation; Laboratories; Administration block
18	42506216	Phepetso Sec	Kroonstad	Northern Free State	907	Rehabilitation; Administration block; media centre
19	42506241	Ngwathe Sec.	Edenville	Northern Free State	760	Rehabilitation and upgrading; laboratories
20	43011027	Botjhaba-Tsatsi Intermed.	Parys	Northern Free State	783	Rehabilitation and upgrading; Toilets; Administration block
					16552	

Annexure B: Background and supporting documentation

- National Treasury PPP Unit, Public Private Partnership Manual (2004).
- National Treasury PPP Unit, Standardized PPP provisions (2004).

- South African Schools Act (1996)
- Employment of Educators Act 76 (1998)
- National norms and standards for school funding (1998)

- National Department of Education, Plan of action improving access to free and quality basic education for all (14 June 2003)

- School Register of Needs (2000)
- Education statistics in South Africa at a glance (2002)
- 2003/04 Annual School Survey

- Infrastructure Plan 2004/05 – 2008/09
- Free State Department of Education Strategic Plan 2005/06- 2007/08
- IDIP (Infrastructure Delivery Improvement Programme) document (2004)

- FSDoE / KPMG Consortium: Feasibility study - Pilot Schools Cluster Project - District 19 (January 2003)
- FSDoE / KPMG Consortium: The Watershed Document (2004)

Annexure C: Key points to study

I - To put the project in a general framework and to define the expected results and impacts.

A - To carry out an inventory of the organization and the performances of the education sector

- To synthesize the orientations of the South-African education system: national strategy, multi-annual action plans, main objectives; organization of the education sector, especially primary education;
- To specify the division of competences and responsibilities between the central, provincial and community levels; to specify the organization of the decentralization;
- To evaluate the organization of school planning (assignment of the personnel, infrastructure); to describe the tools for school data-gathering, to evaluate the reliability of the demographic data;
- To analyze the evolution of the FSDoE budget.
- To identify the external supports in the education sector (existence of donors in education);

- To define the socio-economic profile of the school areas; to define the target population and its social characteristics making sure that the project contributes to reduce the disparities of access to education;
- To analyze the situation of the education sector in the FS: educational needs and offers, management of the education system, allocation and management of resources, performances, capacity of planning and piloting;
- To analyze the project of PPP investment, to check that it corresponds to the orientations and standards of the national policy, to establish the framework of the project, to evaluate its results on the educational offer in the targeted zones, and on the reduction of the disparities, to analyze the various risks;
- To specify and quantify the infrastructure programme while avoiding to over- or under- dimension the services; to specify the parametric costs of the projected infrastructure, in reference to the market prices;
- To analyze the operating mode under consideration by the authorities for the schools managed according to the PPP principle; to study how the management by a "contractor" will be articulated with the management of the teaching activities and with the local structures of school management (Parents Teachers Association, School Governing Body);
- To specify the relevant indicators to measure the performance of the contractor, to define the capacities and the methods of follow-up and checking of the service of the contractor;
- To specify the legal and contractual framework of the operation, the procedures handbooks, the mechanisms of dialogue and decision-making;

B - To specify the institutional framework of the project

- To describe the experiences of the Free State Province in other PPP (especially in the health sector). To clarify the expression of the political will of

the national and provincial authorities to carry out PPP in the social sectors.

- To specify the resources and capacities available to the Free State government to lead the process of instruction and the dialogue with the different partners¹ of the project during the instruction and execution phases; to establish and enforce result standards (output).

C - To check the coherence of the project compared to the general needs of the Free State and to the specific needs of the areas concerned

- To analyze the target population: synthesis of the demographic and socio-economic profile of the areas which will be served by the new schools;
- To analyze the current and future educational needs as well as the current educational offer (public and private): capacity, quality;
- To analyze the localization of the sites considered, to describe the final beneficiaries; to check if the investments projected are coherent and complementary with the existing schools (population of school age and capacity in the area of influence of the schools);
- To analyse the procedure of preparation of the project (people involved, social consultations) and the degree of consensus on the project.

D - To evaluate the expected results and impacts:

- To evaluate the expected results of the project:
 - o On the overall situation of schooling (primary and secondary levels) in the Free State: situation before and after the project: percentage of children not at school; percentage of children attending school by gender, ratios learners/teacher, learners/classroom, textbooks/learners; percentage of children passing to the next grade, repeating, dropping out, percentage of completion of the primary and secondary schooling, annual results average, results at examinations;
 - o On the specific situation of the areas concerned (same questions).
 - o On the situation of each school concerned: efficiency savings in the expenditures for education compared to a public school managed directly by the State (reduction of the teachers and learners' absenteeism, improvement of the school results and of the percentage of children passing to the next grade, reduction of the percentage of children quitting school; improvement of the teaching environment with the reduction of the tensions and the violence).
- To evaluate the social impact of the project (contribution to the reduction of poverty and inequalities of access to a quality education); to describe the expected effects of the project.
- To evaluate the standards of service considered (program of equipment and level of services per school); to check if they are in line with the standards of school facilities of the FSDoE; to evaluate their incidence on the costs of construction.
- To evaluate the relation costs - benefits

¹ Especially the TA, the National Treasury, the municipalities, the teachers' organizations.

II - To examine the technical, economic and financial elements to ensure the affordability of the project.

In 2002, a study was carried out to determine the feasibility of a project based on the building and rehabilitation of schools in the Free State (Cf. background and supporting documentation). The project did not pass the "affordability" test. Since then, the scope of the project has been modified and reduced.

On the basis of a comparison of the annual unit costs per school², the FSDoE has privileged the strategic option which brings the most benefit to the education sector within the framework of a PPP:

- To build a limited number of new schools: 13 schools
- To rehabilitate a greater number of schools : 24 schools

A - Analysis of the costs of the planned infrastructure

The cost of the infrastructure under consideration in the first feasibility study seems very high (around 3000 rand/m²). A critical analysis of the costs of construction and equipment of the classrooms and additional infrastructure should include the following stages:

- To analyse the work programme under consideration by the government for each school site (classrooms and additional infrastructure³); To analyse the unit costs (per m² built excluding taxes);
- To analyze the standards of construction in effect and the practised average costs of construction in the province;
- To compare the unit costs of the project with those of other social infrastructure recently built in the province,

To deduce from the above-mentioned analysis a recommendation on the unit costs and on the budget for the program considered.

B - Comparison Public Sector Comparator (PSC) and PPP

The cost of safety and insurances can be significant and can reduce the commercial interest of the PPP. This cost should be documented by comparison with other projects in progress and if possible with other PPP.

In the first study, the financial analysis shows that if you take into account the risks and the cost of the capital, the difference between the two forms of procurement is only R 202 million, which represents an advantage of only 10,6% of the PPP compared to the PSC.

An economic and budgetary analysis must be carried out showing that the PPP:

- reduces the debt of the State compared to a PSC
- offers the possibility to build at the same time a greater number of classroom during a short period and

² These costs were estimated at 2,87 M ZAR/school/year for a new school and 0,48 M ZAR/school/year for a rehabilitated school in the 2002 feasibility study.

³ Such as canteens, offices-shops, sport installations, libraries etc.

- maximizes the efficiency of the budget given in term of school capacities created or renovated.

C - Liability for the risk of vandalism

The contractor would not have the control of the buildings during the schools operating hours. Given the badly degraded state of a significant proportion of the schools, the risk of vandalism must be taken into account. Its integration in the cost of maintenance is likely to increase the cost significantly. It will be advisable to define who will take liable for the risks in the event of a degradation happening during school hours.

D - To establish a standard of services that is economically viable

It is advisable to define the level of service and equipment which will be at the same time efficient from the point of view of the teaching activities and economically viable for the budget of the FSDoE. In particular the choice and the dimensioning of the services and equipment must be carried out carefully to pass the affordability test.

E - To revise the provincial budget for the maintenance of the infrastructure

A significant increase in the FSDoE budget for schools maintenance is necessary. It would be difficult to face the cost of the services of a private operator providing a high level of services with the current budget.

F - To examine the land status of the grounds of the new constructions

The status of each land will have to be checked. A land title in the name of the State or of the provincial government and an assignment with the FSDoE will be necessary to start the investments. If necessary the processes of regularization of the land will have to be integrated into the work plan and the arrangements of the project, as well as the related costs. The infrastructure would be carried out on land belonging to the State or the Free State government, which would thus be the owners of the infrastructure.

G - To specify the project arrangements

- To detail the design of the PPP: responsibilities of the private operators in the construction, exploitation, maintenance and supply of peripheral services of the schools.
- To specify and justify who should be the borrower. Will there be a need for an intermediate bank? (role in the project? cost of the services?)
- To analyze the need and the possible justification of a grant element in AFD's financing. To study and justify the adequate financial product. To determine the amount of AFD's loan.
- To analyze the risks of the project of which (i) reliability of engagements of the Province to the operator; (ii) risk of technical and financial defaults from the operator, (iii) covering of the risk of vandalism (see above), (iv) payment of the litigations.

H - To check the Free State government's position on the budget for infrastructure:

The Free State government should specify its position on key elements, which will partly condition the result of the "affordability" test:

- To consider the possible evolution during the period 2005/10 of the line of the provincial budget dedicated to the construction, renovation and maintenance of school infrastructure
- To re-evaluate the annual amount which it could dedicate, in the long term, to the maintenance and the exploitation of the schools (excluding teaching activities);
- To define the part of this budget which could be dedicated to a PPP, taking into account the maintenance charges of the schools not covered by the PPP;
- On this basis, to specify the level of equipment wished for in the new schools (sporting equipment, administrative and technical buildings), while avoiding to oversize the level of the services and by targeting a standard program which will be cost-efficient from the point of view of the main objectives (to eliminate platooning, to create school capacities).

I - To analyze the schools operating mode under consideration by the authorities:

- To specify the status of the beneficiary schools and the possible school fees; to analyze the possible disparities of school fees between public schools of a same area; to analyze the possible social effects in particular the risk of excluding less privileged social categories.
- Status of the schools, responsibility for management, financing of operating costs, of maintenance.
- Assignment and remuneration of the teachers.
- Estimated operational budget of the schools.

J – To set an articulation between the private contractor and the School Governing Body

- In the case of rehabilitations, it will be advisable to redefine new procedures regarding the management of the school with all the partners involved. The functions and responsibilities of the SGB as defined by the law (See SASA) will have to be adapted to the PPP: a priori the contractor must be responsible for any financial, technical, administrative responsibility regarding the maintenance and the equipment of the school infrastructure.

K - Articulation between the private contractor and the schools

- Consult school principals, teachers, administrators to evaluate in detail all the operating aspects of the schools under management by a private contractor.
- Establish on this basis a schedule of responsibilities for each partner of the school (FSDoE, principal, teachers, School Governing Body, private contractor). Suggest standard rules of school procedure which could be annexed to the contract between the FSDoE and the contractor.

L - To study the feasibility of the detention-reinsertion-training centre

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- Define the standards and constraints for an establishment answering the objectives of the authorities regarding detention-reintegration-training of minors;
- Define the program of infrastructure and the level of equipment necessary (inputs);
- Define the services of the centre (outputs);
- Precise the perimeter of the services within the framework of a PPP;
- Analyze the budget of the provincial government for such an establishment;
- Analyze the economic and financial feasibility.

M - To list the administrative decisions and regulations

The study will have to draw up a list with accompanying notes of all the administrative acts and regulations to be implemented by the authorities to adapt the existing legal framework and to raise the possible obstacles to the PPP.

N - To prepare standard documents

The study should suggest a standard draft contract between the operator (FSDoE) and the contractor with all the legal, technical and financial annexure, the rules of procedure.

Annexe D – Sector diagnostic matrix

**Table 1:
Catalogue of Main Documents for the Technical Assessment**

Document	Date of draft/ Base Year Data	Authorship/ sponsorship	Document Length
Education Sector Plan			
10-year strategic directions for whole sector			
3-year implementation action plan			
Education Cost and Finance Simulation Model			
List relevant education sector analyses			
a)			
b)			
c) etc.			

**Table 2A:
Population and Education Indicators Selected from the Assessment Documents**

Domain/Indicator	Year	Year	Year	Latest available year
Selected population characteristics Total size % of population below the poverty line HIV prevalence rates among adults % orphans among children ages 7-14				
Gross enrolment ratios (%) Primary Secondary Higher				
Primary education enrolments and student flow Total enrolments % in privately financed and managed schools Net Enrolment Ratio Net enrolment ratio of the poorest quintile Entry rate to Grade 1 (%) Cross-sectional measure Cohort measure Primary education completion rate (%) Cross-sectional measure Cohort measure Repeaters as % of enrolments Girls as % of total enrolments/completions				
Primary student learning outcomes Average national score on an international student assessment Percent correct answers on national standardized tests				

Table 2A (continued)				
Domain/Indicator	Year	Year	Year	L.A.Y.
Govt. primary school service delivery indicators Years in cycle Pupil-teacher ratio (overall) In rural schools Pupil-classroom ratio (overall) In rural schools Pupil-textbook ratio (math & language books) Number of teachers (Total/females) Civil servants as % of total (Total/females) Average annual wage bill per teacher (including benefits) as a % of GDP per capita Civil servants Non-civil service teachers Instructional hours and teaching loads Annual instructional hours for pupils Average pupils' instructional hours per week Average teachers' teaching load per week (hours)				
Public spending on education Public expenditure on education as a share of total public expenditure Recurrent spending on education (all levels) as % of GDP Primary education's share of total education recurrent spending Share of recurrent primary education spending used on inputs other than teachers (%) Share of expenditure received by the poorest quintile Average recurrent cost per student (as % of GDP) Primary Secondary Higher				

Table 2B:
Education Indicators for disadvantaged groups as relevant (Last available year)

Group	Gross enrolment ratios			Primary education					
	Primary	Secondary	Higher	Total enrolments	Net Enrolment ratio	Entry rate to Grade 1	Completion rate	% of Repeaters	Learning achievement scores
Total									
Boys									
Girls									
Urban									
Rural									
Richest quintile									
Poorest quintile									
Best performing region:									
Worst performing region:									
Disabled children									
Indigenous groups									

Table 3:
Selected Cost and Financing Simulation Results for Assessing Strategic Directions

Indicator	EFA FTI Indicative benchmark	Country's base year position	Targets/Outcomes in 2015 under Alternative Policy Scenarios			
			A	B	C	D
a. Student flow indicators						
% of age-group entering first grade in primary cycle ^(a) (Total/Girls)	100					
% of age-group completing 6 in primary cycle ^(b) (Total/Girls)	100					
% repeaters among primary school pupils (Total/Girls)	10 or less					
Enrolments in post-primary education						
Total students in secondary (Total/Girls)						
Total students in higher education (Total/Girls)						
Gross enrolment ratio in secondary education (Total/Girls)						
b. Service delivery indicators in publicly-financed primary schools						
Pupil-teacher ratio ^(c)	40:1					
Average annual wage bill per teacher: ^(d)						
Existing teachers						

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New teachers						
Weighted average of existing & new teachers	3.5					
Spending on school inputs other than teachers as % of total recurrent spending on primary education ^(e)	33					
Annual instructional hours for pupils ^(f)	850 –1000					
% of pupils enrolled in privately-financed primary schools	10 or less					
Cost to construct, furnish & equip a primary classroom (US\$)	8,000 ⁽ⁱ⁾					
c. Additional costs of HIV and AIDS response						
Prevention (life skills based education etc)						
Teachers (replacement/substitution/code of practice etc)						
Children affected by HIV/AIDS						
d. Actual/Projected Recurrent Costs (as% of GDP)						
Primary education						
Post-primary						
Total						
Share of primary education in overall spending ^(g)	42-64					
e. Projected Capital Costs of Classroom Construction						
Costs of providing water and sanitation						
Aggregate costs in US\$						
f. Actual/Projected Domestic Resource Mobilization						
Domestically-generated government revenues as % of GDP	14-18					
Public recurrent resources for education						
As % of domestically-generated revenues ^(h)	20					
As % of GDP	2.8-3.6					
g. Shortfall in domestic recurrent resources						
For primary education						
For post-primary education						
% of shortfall comprising primary school teachers' salaries						

a/ Defined as non-repeaters in grade 1 as a percentage of the population cohort at the official age of entry to first grade.
b/ If data on students completing are not available, use non-repeaters in final grade as a percentage of the population cohort of the official graduation age.
c/ Denominator includes only teachers with teaching duties; publicly-financed schools refer to those whose teachers are fully paid by the government, either directly or indirectly.
d/ Refers to teacher remuneration at mid-career; remuneration includes salary and cash value benefits (i.e. pension, health services, transport, housing and other items paid for by the state).
e/ Spending on items other than teacher remuneration include: (i) the remuneration of non-teaching staff in schools, as well as staff at the district, regional or central levels; (ii) spending on pedagogical materials, maintenance and other running costs, (iii) in-service teacher training; (iv) running costs of student assessments and examinations; and (v) student subsidies, school feeding and other services included under demand-side financing.
f/ Indicate average, not maximum.
g/ Includes spending through ministries providing primary and secondary schooling, vocational/technical education and higher education; the target “indicative” benchmark by 2015 should be calibrated to the length of the first cycle of schooling, i.e. 5 years, 42% if it is 5 years, 50%, if 6 years, 58% if 7 years, and 64% if 8 years).
h/ Discretionary spending is defined as public spending from all sources less debt service (interest payment only).
i. US\$8,000 was the average value used in the World Bank simulations to cost the education MDG.

**Table 4A :
 Selected Quantitative Targets in the 3 to 5 Year Action Plan**

	Base year	Projections			
		2006	2007	2008	Cumulative 2006-08
Number of students in government schools					
Primary (Total/Girls)					
FET college (Total/Girls)					
Secondary (Total/Girls)					
Number of new teachers in government schools					
Primary (Total/Females)					
FET college (Total/Females)					
Secondary (Total/Females)					
Number of textbooks to be procured & distributed					
Primary grades					
FET college (Total/Females)					
Secondary grades					
Number of new classrooms to be built					
Primary schools					
FET college (Total/Females)					
Secondary schools					
Aggregate recurrent budget					
Primary education					
FET college					
Secondary					
Higher education					
Other					
Aggregate budget for capital investments					
Primary, FET college & secondary education					
Higher education					

**Table 4C (for Step 4):
 Capacity Constraints and Plans to Overcome Them**

Domain	Note nature of capacity constraints, if any	Describe the proposed plan to strengthen capacity
Teacher recruitment, support and development Pre-service training (Total/females) In-service training (Total/females) Recruitment (Total/females) Teacher evaluation School inspection Managing the impact of HIV/AIDS on the teaching force		
Student assessment and curriculum development Standardized testing Test banks for diagnostic testing Curriculum development (incl. HIV/AIDS and gender aspect)		
Data for better management Education Management Information System Expenditure tracking		
Procurement/Contracting Systems Distribution of instructional materials School construction		
Promotion of schooling among target populations School mapping to improve accessibility of schools School design (including water, sanitation...) Design of demand-side financing interventions (including children orphaned by AIDS and other causes)		
Administration and Management		
National-level budgeting and financial management		
Sub-national government administration		
Legal/Institutional Framework		
Enactment of laws to facilitate EFA implementation		
Removal of legal impediments to primary education		
School-level capacity School head leadership Parent-Teacher Association		

Annexure E – Template: draft transaction advisor contract

General terms and conditions for the appointment of a transaction advisor between [insert name of institution] herein represented by [insert name of institution's representative] in his or her capacity as accounting officer/authority who warrants that he or she is authorised thereto (hereinafter referred to as 'the institution') and [insert name of transaction advisor company], registration number [insert registration number], herein represented by [insert name of transaction advisor representative] in his or her capacity as [insert capacity] who warrants that he or she is duly authorised thereto (hereinafter referred to as 'the transaction advisor')

Background

The [insert name of institution] wishes to provide the public with a cost-effective, efficient service [insert description of the PPP project] and related activities, and requires the services of an experienced transaction advisor in bringing the PPP project from the concept stage through feasibility approval, competitive bidding and award, to actual execution.

Pursuant thereto, the institution has entered into negotiations with the transaction advisor for the provision of services based on the transaction advisor's proposal in response to the terms of reference.

The transaction advisor has agreed to provide the services on the terms and conditions set out herein.

Now it is hereby agreed as follows:

1. Definitions

In the agreement, unless the context indicates otherwise, the following words and expressions shall have the following meanings unless inconsistent with the context:

'the Act'	means the Public Finance Management Act, 1999, and the regulations promulgated thereunder and as amended from time to time;
'affiliate'	In relation to any person, any holding company or subsidiary of that person or any subsidiary of such holding company, and 'holding company' and 'subsidiary', shall have the meanings assigned to them in the Companies Act, 1973;
'agreement'	means this agreement and the schedules thereto;
'applicable laws'	means all applicable laws, ordinances, regulations, judgements and orders of any competent court, central bank or governmental agency, authority in any relevant jurisdiction within the Republic of South Africa, requirements

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	of the PFMA, the National Treasury regulations, and such other laws as may be applicable;
'business day'	means any day other than a Saturday, Sunday or public holiday in the Republic of South Africa;
'commencement date'	means the [insert date as agreed by parties];
'completion date'	means the date on which the services by the transaction advisor are completed;
'confidential information'	means any information: (a) determined by the institution to be privileged or confidential; (b) discussed in closed session by the bid evaluation panel; (c) which if disclosed would violate a person's right to privacy; (d) declared to be privileged, confidential or secret in terms of any law including, but not limited to, information contemplated in section 34(1); 35(1); 36(1); 37(1)(a); 38(a); 39(1)(a); 40 or 43(1) of the Promotion of Access to Information Act, 2000;
'deliverables'	means those deliverables as set out in the agreement documents;
'good industry practice'	means using standards, practices, methods and procedures conforming to applicable law and exercising that degree of skill, care, diligence, prudence and foresight that would reasonably and ordinarily be expected of a skilled, and experienced person engaged in a similar type of undertaking under similar circumstances;
'institution'	in relation to the agreement, means [insert name of the national or provincial department, constitutional institution, public entity listed in schedules 3A, 3B and 3D of the Act or any subsidiary or entity under the ownership or control of any such public entity], and includes the officials of the institution acting in the course and scope of their employment;
'institutional default'	means an act or omission by the institution which results in a breach of any of its material obligations under the agreement;
'parties'	means the institution and the transaction advisor;
'private party'	means the private party in relation to a PPP agreement contemplated in Treasury Regulation 16.1;
'PPP'	means public private partnership as defined in Treasury Regulation 16.1;
'PPP agreement'	means an agreement contemplated in Treasury Regulation 16.1 between the institution and a private party;
'project'	means a PPP as defined by Treasury Regulation 16.1;
'project officer'	means that person designated by the [accounting

	officer/authority] of the institution as project officer for the project;
'proposal'	means the transaction advisor's response to the institution's terms of reference in respect of the carrying out of the services;
'services'	means those services to be provided by the transaction advisor;
'signature date'	means the date of signature of this agreement by the last signing party;
'success fee'	means the portion of the transaction advisor's compensation which is contingent upon the financial closure as more fully set out in clause 6.2;
'termination date'	means any date of termination of the agreement in accordance with clause 13 of the agreement;
'transaction advisor'	means [insert name of transaction advisor company];
'variation'	means any variation to the scope of services in terms of the agreement; and
'VAT'	means any value-added tax, or any similar tax which is imposed in place of or in addition to such tax.

2. Interpretation

2.1 The agreement shall be interpreted according to the following provisions, unless the context requires otherwise:

2.1.1 References to the provisions of any law shall include such provisions as amended, re-enacted or consolidated from time to time in so far as such amendment, re-enactment or consolidation applies or is capable of applying to any transaction entered into under the agreement;

2.1.2 References to clauses, sub-clauses, annexures and schedules are references to the clauses, sub-clauses, annexures and schedules of the agreement;

2.1.3 The headings of clauses, sub-clauses, annexures and schedules are included for convenience only and shall not affect the interpretation of the agreement;

2.1.4 Reference to 'the agreement' shall include the agreement and its annexures, schedules as amended, varied, novated or substituted in writing from time to time;

2.1.5 The parties acknowledge that each of them has had the opportunity to take legal advice concerning the agreement, and agree that no provision or word used in the agreement shall be interpreted to the disadvantage of either

party, because that party was responsible for or participated in the preparation or drafting of the agreement or any part of it;

2.1.6 Words importing the singular shall include the plural and vice versa, and words importing either gender or the neuter shall include both genders and the neuter, and 'person' shall include both corporeal and incorporeal entities;

3. Agreement to provide services

3.1 With effect from the commencement date, the institution hereby appoints the transaction advisor to provide the services and the transaction advisor agrees to provide the services to the institution on the terms and conditions recorded in the agreement.

4. Duration

4.1 The agreement shall commence on the commencement date and terminate on the termination date.

5. Scope of services

5.1 The scope of services to be provided by the transaction advisor in terms of the agreement is set out in the deliverables schedule, annexed hereto as Schedule A.

6. Price and payment terms

6.1 During the term of the agreement and in consideration for the services provided by the transaction advisor to the institution, the institution will pay the transaction advisor that fixed fee as specified in the payments schedule, annexed hereto as Schedule B.

6.2 The success fee portion of the transaction advisor's compensation will be contingent upon the financial closure (with all formalities completed) of the PPP agreement between the institution and the selected private party, and of receipt by the institution of the close-out report and relevant case study reports as set out in the deliverables schedule, annexed hereto as Schedule A.

6.3 Payment of the mobilisation allowance will be made by the institution within 30 days of the signature date. Invoices for further instalments may be submitted to the institution by the transaction advisor upon milestones achieved, as specified in the payments schedule, annexed hereto as Schedule B, and will be paid within 30 days of receipt of invoice.

7. Project team

7.1 The parties shall, immediately after the signature date, form a project team, which will be responsible for the management of the agreement so as to ensure the smooth and satisfactory delivery of the services by the transaction advisor to the institution.

7.2 The project team shall be composed of the following:

7.2.1 the project officer appointed by the institution, who shall act as manager on behalf of the institution;

7.2.2 such other additional members as appointed by the institution;

7.2.3 a representative appointed by the transaction advisor, who shall have authority to bind the transaction advisor; and

7.2.4 such other members of the transaction advisor as appointed by the transaction advisor.

7.3 The functions of the project team shall be as follows:

7.3.1 to facilitate communication between the parties;

7.3.2 to review the progress on the implementation of the agreement;

7.3.3 to manage and resolve potential disputes;

7.3.4 to monitor and maintain alignment with institutional policy and strategy;

7.3.5 to achieve agreement objectives within agreed scope, time, cost and quality;

7.3.6 to provide advice and consent on scope variation;

7.3.7 to facilitate all necessary institutional and treasury approvals; and

7.3.8 to provide feedback to relevant stakeholders.

7.4 The project team shall determine an appropriate set of meetings to be held and the frequency thereof.

8. Obligations of parties

8.1 The institution undertakes:

8.1.1 to remunerate the transaction advisor for its services as set out in the payments schedule, annexed hereto as Schedule B;

8.1.2 to provide all necessary logistical support to the transaction advisor so as to enable it effectively to render the services;

8.1.3 to use its best endeavours to ensure that the transaction advisor has timely and adequate access to all information, personnel and documentation available to the institution that will be required by the transaction advisor to render the services; and

8.1.4 to co-operate with the transaction advisor at all times for purposes of facilitating a timeous and efficient delivery of the services.

8.2. The transaction advisor undertakes:

8.2.1 to perform the services according to good industry practice;

8.2.2 to devote the necessary time and attention to providing the deliverables, as set out in the deliverables schedule, annexed hereto as Schedule A, and not engage in any business or activity that will prevent the transaction advisor from providing the services;

8.2.3 to maintain, at all times, the highest degree of good faith towards the institution and to ensure that no conflict of interest materialises, and in the event of a conflict of interest arising, to immediately advise the institution of same, upon which advice the institution shall, in its sole and absolute discretion, decide whether to proceed with the agreement or to terminate it forthwith. Failure by the transaction advisor to advise the institution of any conflict of interest shall amount to a material breach of the agreement and shall entitle the institution to terminate the agreement forthwith;

8.2.4 to render the services in accordance with the deliverables, timeframes and specifications, as set out in the deliverables schedule, annexed hereto as Schedule A, as amended by written agreement of the parties;

8.2.5 that all actions and commitments agreed upon or pursuant to the project management committee meetings or agreed to with the project officer, will be strictly adhered to;

8.2.6 to maintain independence from other individuals, organisations or government bodies;

8.2.7 to take out, at its own cost, appropriate insurance coverage against loss arising out of negligence, malpractice or unprofessional conduct of the transaction advisor;

8.2.8 to observe neutrality and objectivity in its views and opinions;

8.2.9 to respect and observe all applicable laws;

8.2.10 to provide the institution with any information and reports reasonably requested by the institution in connection with the services, and which information the transaction advisor warrants to be accurate and complete;

8.2.11 to maintain the professional personnel as promised and committed to by the transaction advisor in its proposal, and as recorded in the deliverables schedule, annexed hereto as Schedule A, and that in the event of any dedicated member of the transaction advisor becoming incapacitated and unable to carry out his or her duties or whose performance the institution reasonably considers to be unsatisfactory in its discretion, to replace, at the

transaction advisor's cost, such member, subject to the written approval of the institution.

9. Confidentiality

9.1 The transaction advisor shall not, during the term of the agreement and thereafter, without the prior written consent of the institution, disclose any confidential information relating to the institution and the services to anyone other than those persons who are connected to the institution and/or transaction advisor and who are required or authorised to have access to such information.

9.2 The obligation to maintain the confidentiality of information shall survive the termination of the agreement, but will not apply to confidential information which was in the public domain prior to being disclosed by the transaction advisor and has come into the public domain other than as a result of being divulged by the transaction advisor.

10. Ownership of material and intellectual property

10.1 Any information provided by the institution to the transaction advisor and any studies, reports and documentation produced by the transaction advisor in performance of the services (hereinafter 'materials') shall belong to and remain the property of the government of the Republic of South Africa as represented by the institution, and will not be used by the transaction advisor for any purpose other than in accordance with the agreement, or by written permission of the institution.

10.2 Upon termination of the agreement for any reason whatsoever, the transaction advisor must return to the institution all materials in its possession which belong to the institution, regardless of whether or not such materials were originally supplied by the institution to the transaction advisor.

11. Warranties and indemnities

11.1 The transaction advisor warrants that:

11.1.1 All corporate approvals and consents required for the incorporation of the transaction advisor and all resolutions of the board of directors of the transaction advisor authorising the execution and performance of the agreement have been obtained prior to the signature date of the agreement; and

11.1.2 It will use good industry practice and skill in performing the services.

11.2 The transaction advisor indemnifies and holds the institution harmless against any claim by any third party howsoever arising in connection with any wrongful act or omission of the transaction advisor.

11.3 The institution indemnifies and holds the transaction advisor harmless against any claim by any third party arising in connection with any wrongful act or omission of the institution.

12. Liability limitation

12.1 The transaction advisor will accept liability to pay damages for losses suffered by the institution arising as a direct result of breach of contract or negligence on its part in respect of the services. The maximum liability of the transaction advisor for all claims arising out of the services provided in connection with this agreement shall be limited to an amount equal to twice the fees charged for the services.

13. Termination

13.1 The institution reserves the right to terminate the agreement or temporarily defer the provisioning of the services, or any part thereof, at any phase with immediate effect on written notice to the transaction advisor, should the institution in its sole and absolute discretion, decide not to proceed with the services.

13.2 In the event of termination of the services in accordance with clause 13.1 above, the transaction advisor will be remunerated for such services as have already been rendered.

13.3 Termination on institutional default

13.3.1 On the occurrence of an institutional default, or within a reasonable time after the transaction advisor becomes aware of the same, the transaction advisor may serve notice on the institution of the occurrence (and specifying details) of such institutional default. If the relevant default has not been remedied or rectified within 10 (ten) business days of such notice, the transaction advisor may serve a further notice on the institution terminating the agreement with immediate effect.

13.4 Termination on transaction advisor default

13.4.1 Transaction advisor default means any of the following events or circumstances:

13.4.1.1 The transaction advisor ceasing to carry on business;

13.4.1.2 A resolution being passed or an order of a court being made for the administration or the judicial management, winding-up, liquidation or dissolution of the transaction advisor;

13.4.1.3 The transaction advisor failing to maintain any required insurance in terms of clause 8.2.7;

13.4.1.4 The transaction advisor committing a breach of any of its material obligations under the agreement;

13.4.1.5 The transaction advisor ceasing to provide all or a substantial part of the services in accordance with the agreement;

13.4.1.6 The transaction advisor providing services that are not good industry practice.

13.4.2 Institutional options

13.4.2.1 On the occurrence of a transaction advisor default, or within a reasonable time after the institution becomes aware of the same, and while the same is subsisting, the institution may:

13.4.2.1.1 In the case of the transaction advisor default referred to in clauses 13.4.1.1 to 13.4.1.3, terminate the agreement in its entirety by notice in writing having immediate effect;

13.4.2.1.2 In the case of the transaction advisor default referred to in clauses 13.4.1.4 to 13.4.1.6, serve notice of default on the transaction advisor, requiring the transaction advisor to remedy the transaction advisor default within 10 (ten) business days.

13.4.2.2 Failure by the transaction advisor to remedy the transaction advisor default within the specified time, as stipulated in clause 13.4.2.1.2, shall entitle the institution to terminate the agreement.

13.4.3 Costs

13.4.3.1 Each party shall reimburse the other party with all costs incurred by that party in exercising any of its rights (including, without limitation, any relevant administrative expenses), on an own attorney and client basis incurred by that party in enforcing its rights under the agreement arising out of any breach, together with all supporting documents of such amount, which amount shall not exceed twice the amount of fees payable in terms of this agreement.

14. Dispute resolution

14.1 Should any dispute arise between the parties to this agreement with regard to the interpretation, the carrying into effect and implementation of any one or more of the provisions of this agreement, any of the rights and obligations of either party arising from the agreement, the termination or purported termination of, or arising from the termination of, or the rectification or proposed rectification of the agreement, or out of pursuant to this agreement, or any other matter which in terms of this agreement requires agreement by the parties, the institution and the transaction advisor shall, in the first instance, attempt to come to an agreement in relation to any such dispute by consultation and negotiation in good faith.

14.2 In the event that the parties, after consultation and negotiation, are unable to come to an agreement, then either party may give written notice to the other party of its intention to cancel the agreement.

15. Notices

15.1 The parties choose as their respective domicilium citandi et executandi for all purposes of the giving of notices and the serving of any process, and for any other purpose arising from the agreement as follows:

In the case of the institution:

Address: [insert institution's address]
Telefax no: [insert institution's fax number]

In the case of the transaction advisor:

Address: [insert transaction advisor's address]
Telefax no: [insert transaction advisor's fax number]

15.2 A notice shall be deemed to have been duly given:

15.2.1 On delivery, if delivered to any party's physical address in terms of this clause 15.1;

15.2.2 On despatch, if sent to any party's then telefax number in terms of clause 15.1 as confirmed by telefax confirmation printout.

15.3 Either party may change its address to any physical address and telefax number (in the Republic of South Africa) for this purpose, by notice in writing to the other party.

16. Entire contract

16.1 The agreement contains all the express provisions agreed on by the parties with regard to the subject matter of the agreement, and the parties waive the right to rely on any alleged express provision not contained in the agreement.

17. No representations

17.1 No party may rely on any express, tacit or implied term, representation, promise, warranty or the like which allegedly induced that party to enter into the agreement, unless the term, representation, promise, warranty is recorded in the agreement.

18. Variation, cancellation and suspension

18.1 No contract varying, adding to, deleting from or cancelling the agreement, and no suspension of any right under the agreement shall be effective unless reduced to writing and signed by or on behalf of the parties.

19. Waiver

19.1 No waiver by a party of any right under the agreement shall be effective unless reduced to writing and signed by or on behalf of all the parties.

20. Indulgences

20.1 No indulgence granted by a party shall constitute a waiver or abandonment of any of that party's rights under the agreement. Accordingly, that party shall not be precluded, as a consequence of having granted that indulgence, from exercising any rights against the other party which may have arisen in the past or which may arise in the future.

21. Assignment

21.1 Save as expressly provided in the agreement, the transaction advisor shall not cede any of its rights nor delegate any of its obligations in terms of the agreement without the prior written consent of the institution.

22. Costs

22.1 Each party shall bear its own legal costs of, and incidental to, the negotiation, drafting and preparation of the agreement.

22.2 Any costs, including attorney and own client costs, incurred by a party, arising out of the breach by either party of any of the provisions of the agreement, shall be borne by the party in breach.

23. Subcontracting

23.1 The transaction advisor shall not, without the prior written consent of the institution (which shall not be unreasonably withheld), subcontract or delegate any of the services to any parties other than those listed as members of the transaction advisor as contained in the proposal and recorded in the deliverables schedule annexed hereto as Schedule A.

23.2 The transaction advisor shall not be relieved of any obligations, responsibility or liability under the agreement by the appointment of any subcontract to carry out any part of the services. As between the transaction advisor and the institution, the transaction advisor shall be responsible for the payment, performance, act, defaults, omissions, breaches and negligence of all subcontractors. All reference in the agreement to any performance payment, act, default, omission, breach or negligence of the transaction advisor shall be deemed to include any or the same by a subcontractor.

24. Governing law and language

24.1 The agreement shall be governed by the laws of the Republic of South Africa, and its language shall be English.

25. Counterparts

25.1 The agreement shall be capable of execution in counter parts, all of which when read together shall constitute one and the same document.

Signed and witnessed by the parties on the following dates and at the following places respectively:

Date:
Witness:

Place:

Signature:

For:
[insert name of institution]

Date:
Witness:

Place:

Signature:

For:
[insert name of transaction advisor]

Schedule A: Deliverables schedule
Schedule B: Payments schedule